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February 17, 2004

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The Honorable Ann Veneman
U.S. Department of Agriculture
Jamie L. Whitten Federal Building #200A
14th Street & Independence Avenue, S.W.
Washington, DC 20250

Dear Secretary Veneman:

I am writing to request that the U.S. Department of Agriculture's (USDA's) Rural Utility Service (RUS) extend the comment period for its proposed rule entitled, "Guarantees for Bonds and Notes Issued for Electrification or Telephone Purposes" (68 FR 75153). The comment period currently ends March 1, 2004. An extension is necessary to allow the General Accounting Office (GAO) and USDA an opportunity to complete pending investigations on RUS' lending practices. Failure to consider the findings from these investigations prior to issuing a final rule may expose taxpayers to millions of dollars of liability.

The Office of Management and Budget (OMB) analyzed RUS' Rural Electric Utility Loans and Guarantee Programs both in last year's and this year's Program Assessment Rating Tool (PART) evaluations for the President's Fiscal Year (FY) 2004 and 2005 Budgets. In both years, OMB rated the program as "results not demonstrated," and determined that RUS needs to considerably improve in the area of planning and the area of results and accountability (FY05 PART, p. 27). Although RUS' loan program is intended to provide affordable and reliable electric service to rural communities, the PART evaluation revealed that RUS is not reaching this goal. Additionally, the PART evaluation suggested that RUS' loan functions should fall primarily within the realm of the private sector. Specifically, the PART evaluation recommended that the government "focus more on commercial guarantees (other than the small amount through CFC and CoBank) to provide loans in lieu of direct loans and 100% guarantees." RUS justified this position by noting that direct and 100 percent guaranteed loans are "more costly to the government" (PART, p. 256).

Concerned about RUS' lending practices, on June 16, 2003, the House Government Reform Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, which I chair, requested that GAO conduct a study to determine the potential adverse effects of the loan guarantees authorized in Section 6101 of the Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171). GAO intends to complete its preliminary results by May 1, 2004.

In addition to this investigation, the President's FY 2005 Budget announced that USDA is conducting an analysis of RUS' electric loan program. Focusing on the electric loans made in 2002 and 2003, USDA intends to "determine the characteristics of the communities to which the loans are going, who the loans are supporting, benefits derived from the loans by communities, and how many loans and dollars are going to support poverty areas" (Budget, p. 156).

Both GAO's and USDA's studies are specifically pertinent to RUS' proposed rule since both address questions posed in the section entitled, "Issues for Public Comment" (68 FR 75156). Particularly, GAO's study will address questions 1 and 6. It will also be a valuable tool for USDA to use when assessing the validity of its cost-benefit analysis, as intended under question 8. Likewise, USDA's study will enable RUS to more thoroughly evaluate questions 1 and 8.

Since OMB deemed RUS' proposed rule significant under Executive Order 12866 (68 FR 75153), any additional information, especially that expected from USDA and GAO, should be thoroughly analyzed. Since these data will not be available until after the comment period is scheduled to end, I strongly urge USDA to extend the current deadline.

Thank you for your attention to this request. If you have any questions about this letter, please contact Professional Staff Member Melanie Tory at 226-4376.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Ose", written in a cursive style.

Doug Ose
Chairman
Subcommittee on Energy Policy,
Natural Resources and Regulatory Affairs

cc The Honorable Tom Davis
 The Honorable John Tierney
 Blaine D. Stockton (RIN 0572-AB83)